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DIRECTORATE OF  
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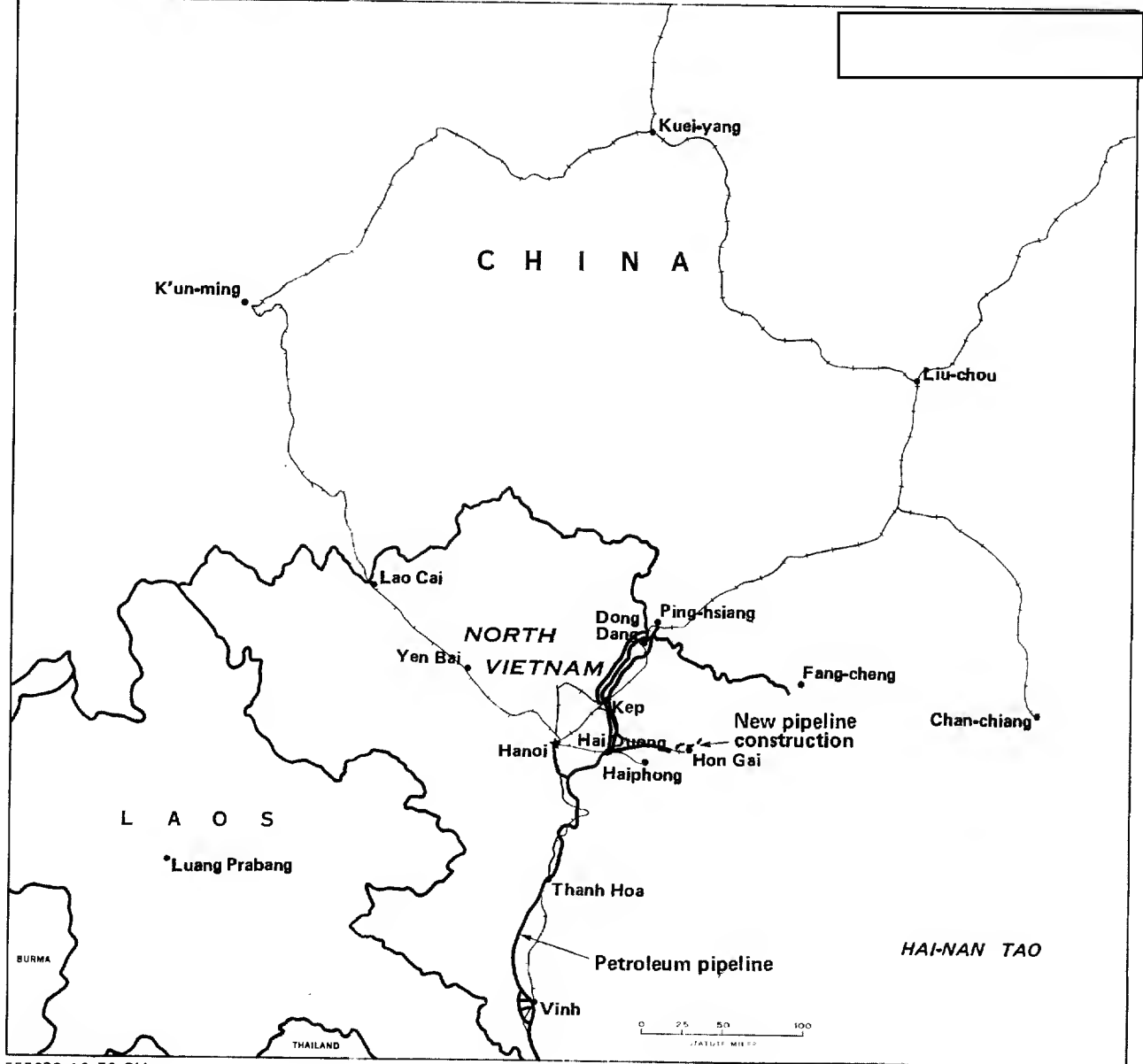
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Petroleum Pipeline in North Vietnam



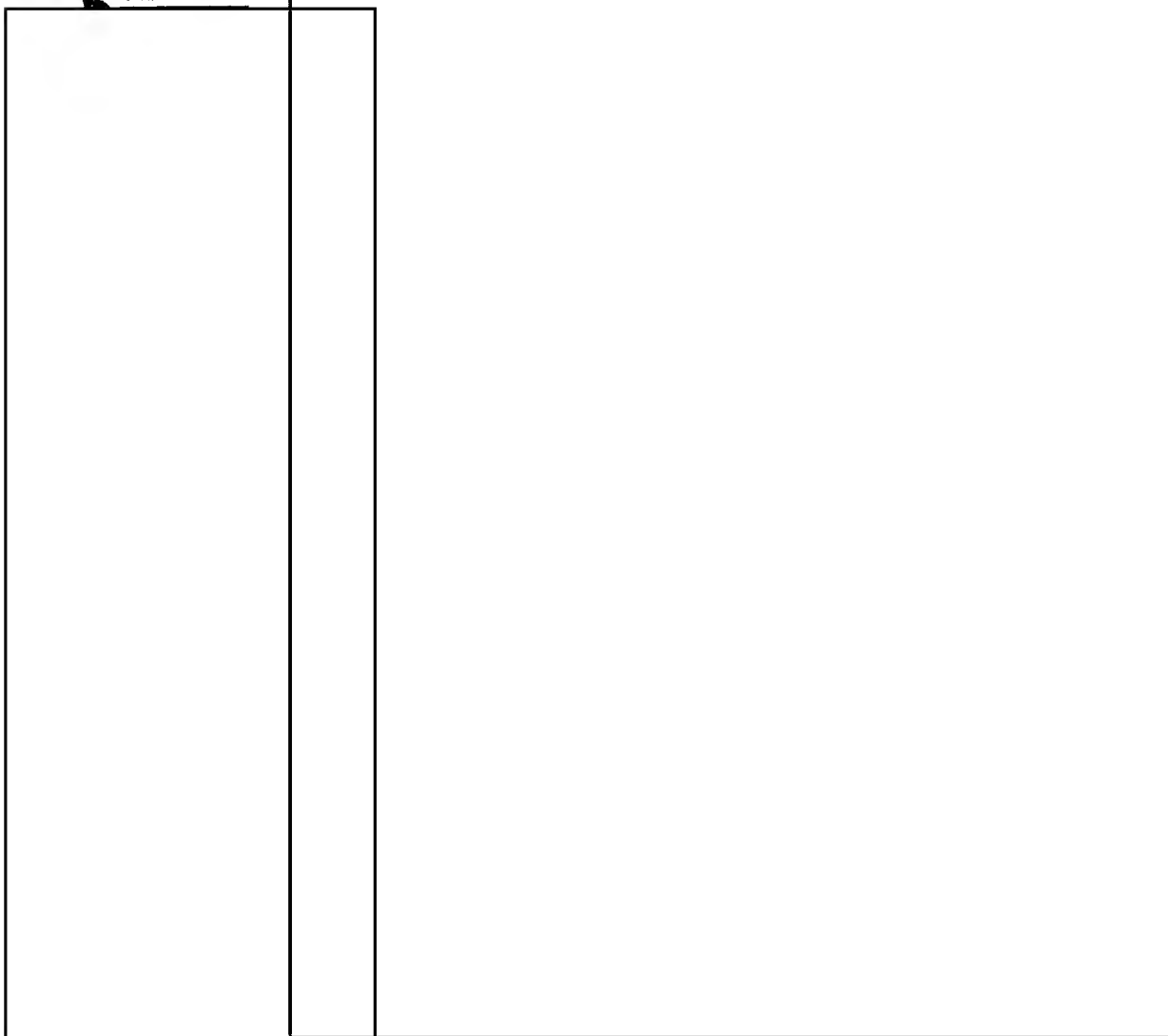
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VIETNAM:



Photography [ ] reveals preparation of right-of-way for a new pipeline along the northeast coast of North Vietnam. Two miles of trenching and ten miles of intermittent trace were observed, starting at a point five miles northwest of Hon Gai near, but not joining, the system that [ ]

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runs from Hon Gai to Hai Duong. If the construction pattern follows that of the previous pipelines built by North Vietnam to China, this new line might already be completed to the Chinese border. [REDACTED]

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NATO-MBFR: Differences on the participation issue continue to prevent allied agreement on proceeding with preparations for Mutual and Balanced Force Reduction (MBFR) talks.

At a North Atlantic Council meeting on 4 October, the allies continued to seek a compromise position. The US wants to include only those states that would be directly involved in the proposed force reduction area--a formula which among others, excludes Greece, Turkey, and Italy. These three, however, restated their insistence that they be represented in the proposed talks, which they feel directly concern their own defense. They contend that their exclusion would in fact threaten NATO unity. The Dutch are supporting a compromise position that would allow the flank states to have a single, rotating, non-participating observer at the MBFR talks. The Germans are also supporting a compromise and are attempting to reduce the flank states' opposition in bilateral contacts with the three southern states. Bonn would also acquiesce in putting off the participation issue, thus allowing the US to respond to a recent Soviet note proposing the start of MBFR preparatory talks next January.

The allies are still worried that the sequence of events proposed by the Soviets does not afford sufficient overlap for the MBFR talks and the Conference on Security and Cooperation in Europe to satisfy NATO's insistence on parallelism. Their concern probably was increased by the report of the Netherlands representative that Soviet Foreign Minister Gromyko, in a conversation with Dutch Foreign Minister Schmeltzer, pressed for as little parallelism as possible. Gromyko insisted that actual MBFR negotiations could only begin after a CSCE had been concluded and that preparatory talks leading to both should be non-substantive. [REDACTED]

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EGYPT: President Sadat's recent suggestion that a provisional Palestinian government be established has failed to generate any significant Arab interest.

Although the Arabs continue to discuss the creation of a Palestinian entity, there are serious differences among them about its structure. After two days of deliberations in Beirut, the Executive Committee of the Palestinian Liberation Organization (PLO) announced on 2 October that it would support a "Palestinian entity as embodied by the PLO and its institutions"--an indirect rejection of Sadat's proposal. The formation of a government-in-exile has been a contentious issue among fedayeen leaders for some time. Sadat's unexpected proposal on 28 September probably caught the PLO leadership off guard, precluding serious discussions at this time.

PLO chairman Yasir Arafat and the other members of the Executive Committee are probably apprehensive about retaining what authority they now have over the fedayeen in any new Palestinian organization. In addition to its form being a point of contention, bitter infighting would almost certainly develop over key positions within the new structure. The fedayeen also would face the broader problem of gaining general Palestinian support for a PLO-sponsored provisional government. Some Palestinians in the Israeli-occupied West Bank of Jordan are antipathetic toward the fedayeen in general; their counterparts on the East Bank, fearing repression from Amman, are reluctant to voice approval of a Palestinian government-in-exile.

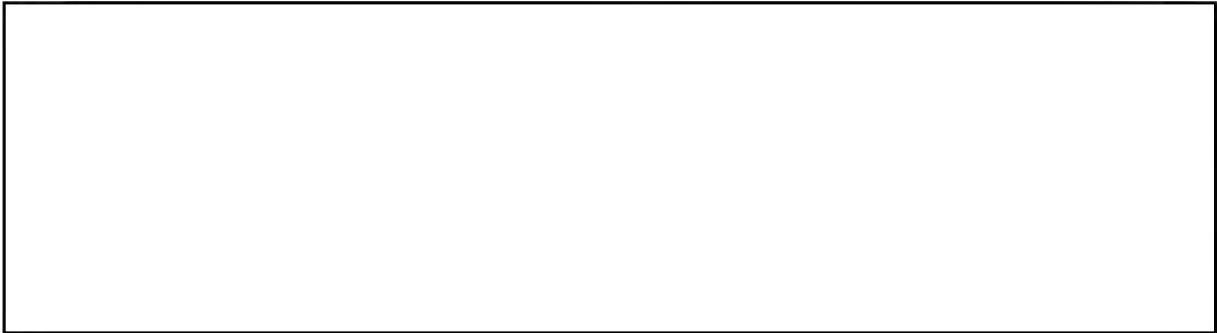
President Sadat's motives in publicly broaching this idea appear to be primarily rhetorical and tactical. The Munich incident and its aftermath generated an emotional polarization of the Arabs around the Palestinians, and Sadat apparently deemed

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it necessary to strengthen his claim to Arab leadership by raising this idea. In the event that a provisional government is formed, Sadat may hope it would be more moderate and more responsive to Cairo's control. Sadat's proposal may also have been aimed at undercutting King Husayn's plan for a United Arab Kingdom.



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CHILE: The Allende government is getting a political boost from the Kennecott Corporation's interference with a copper shipment to France, despite its serious economic implications.

Chilean officials were quick to publicize the recent decision of a Paris court to accede to the Kennecott Corporation's demand that a copper cargo worth \$1.3 million from the former Kennecott mine in Chile be attached when it reaches a French port this week. Opposition spokesmen rallied to Allende's support as they have consistently done on the highly nationalistic issue of the role of foreign investors in Chile's major resource. A Christian Democratic deputy called the move an open attack on Chile that demands retaliation.

The Chilean ambassador in Paris, Nobel poet Pablo Neruda, garnered support for his expressions of outrage from the multiparty Chilean delegation on its way home from the recent interparliamentary congress in Rome. Neruda carefully pointed out that the French Government was not responsible for the court's decision, indicating the Allende administration's desire for good relations with Paris.

The attachment could cause severe copper marketing problems for Chile in addition to the potential loss of foreign exchange involved in the current shipment. The government will shortly enter into negotiations for 1973 sales contracts with major European buyers, who will be leery of contracting for copper shipments subject to being blocked by subsequent court actions.

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EUROPEAN COMMUNITIES: An EC Commission proposal for a unified Mediterranean policy further demonstrates the EC's belief that it has "special" responsibilities and interests in the area.

The Commission approach is designed to increase the effectiveness of Community action, permit the EC to offer similar agreements to both Israel and the Arab states, and allow for an industrial free trade agreement with Spain. The Commission is also concerned about Community dependence on the Mediterranean area's oil, and plans a separate document on petroleum in the next week or so.

The proposal would broaden and unify the Community's economic ties with the Mediterranean countries. Building upon the present preferential trade agreements, the EC and these countries would gradually establish free trade areas in industrial and, to the extent possible, agricultural products. Difficulties could arise over the EC's desire to maintain protection for certain products, such as textiles, wine, and citrus fruit, in which the Mediterranean countries are most competitive. Moreover, the Mediterranean countries may wish to protect certain "infant" industries indefinitely. Beyond these trade provisions, the Commission envisages extensive EC financial, technical, and employment assistance for the Mediterranean and also recommends economic cooperation in such areas as pollution control and investment regulation.

The proposal will be the subject of debate in the EC Council. When preliminary discussion begins on Monday, Italy and France are likely to voice reservations about agricultural provisions, even though Paris earlier supported the concept of a unified approach. The proposed agreement will also raise difficulties for the US because of possible damage to American trading interests both in the Mediterranean area and in the EC countries. ] [ ]

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LIBYA-ITALY: The national oil companies of both countries have signed a 50-50 participation agreement that probably will set a precedent for Libya's future negotiations with other Western oil companies.

The Libyan National Oil Company now has joint ownership in three ENI concessions. Two of these have proved unproductive thus far, but production from the third, held up since spring when negotiations began, will start immediately. ENI representatives consider the terms of the agreement favorable because Libya will base its compensation to Rome for past investments on the original rather than on depreciated values. In addition, Tripoli will share equally in the considerable investment and development costs and ENI will handle the marketing of the oil. Libya's difficulties in marketing nationalized British Petroleum crude this year probably prompted this arrangement.

The joint venture represents ENI's largest foreign oil producing success in some 15 years of worldwide search. The projected annual production of ten to 15 million tons from the venture will more than equal ENI's total oil production last year. Most of the oil probably will be utilized in ENI's own refineries which supply about one quarter of the Italian market.

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PORTUGAL: The new decree law strengthening the Portuguese political police (DGS) reflects the government's increased concern about terrorist groups.

The new law raises the authorized strength of the DGS by 13 percent. It also exempts the DGS from the most important of the penal code reforms that took effect on 1 October, the same day the DGS law was issued. The DGS receives a blanket exemption in overseas territories where "grave subversive acts" are occurring. In the metropole, it is released from reform provisions such as the mandatory presence of a lawyer during interrogation of suspects and the preparation of pre-trial dossiers by a judge rather than the police.

The law also sanctions the current DGS practice of issuing arrest warrants. It raises the pay of DGS personnel and authorizes its active and retired "higher functionaries" to carry arms without a license.

The government has been embarrassed by sporadic terrorist acts over the past two years. Last month, a communications station near Lisbon was bombed. A bombing in July heavily damaged 13 new troop transport vehicles in Lisbon. The "revolutionary brigades," reportedly associated with a dissident Communist exile group in Algiers, claimed responsibility for these acts and for sabotage last year. The "brigades" and Armed Revolutionary Action, the latter reportedly linked to the orthodox Portuguese Communist Party, have been setting off explosives since 1970. Their aim is to demonstrate opposition to the Caetano government, the war in the African provinces, and Portugal's link to NATO. [REDACTED]

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PAKISTAN - NORTH KOREA: Islamabad is considering establishing full diplomatic relations with Pyongyang, according to the Pakistani foreign secretary, but will not take any action until the end of the year.

Pakistan now has relations at the consulate general level with both North and South Korea, but does not recognize either country. There is no indication that Pakistan will recognize Seoul at the same time.

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China has been urging Pakistan to accord recognition for some time. The North Koreans have supplied some military equipment to Pakistan and have recently been making a major propaganda effort to sell themselves in Pakistan. President Bhutto, moreover, may believe that recognition will lessen the restiveness among his left-wing followers over other foreign policy moves, such as Pakistan's renewed participation in the Central Treaty Organization (CENTO).

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SUDAN: The resignation of the cabinet yesterday will set the stage for the convening of the first constituent assembly since President Numayri came to power in May 1969. A new cabinet--which probably will include most of the former ministers--may be appointed sometime before the assembly's first session on 13 October. Numayri, however, may drop those officials identified as pro-Egyptian, as relations between Cairo and Khartoum continue to deteriorate. Sudan's relations with Egypt hit a new low when Numayri intercepted Libyan troop transports en route to Uganda to support President Amin in the dispute with Tanzania. [REDACTED]

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SWITZERLAND: The Swiss-EC industrial free trade agreement concluded in July has won legislative approval but faces uncertain prospects in a forthcoming referendum. In approving the treaty the Federal Assembly, after some dissension, also endorsed the administration's long-standing pledge to subject the agreement to a national referendum. This vote, now set for 3 December, may imperil the treaty despite strong popular support for its ratification. Swiss federal law stipulates that any measure submitted to referendum must carry a majority of the 22 cantons as well as of the total popular vote. Recent soundings raise the possibility that a majority of the smaller and more insular cantons, skeptical of the treaty's benefits and of its impact on Swiss neutrality, may vote against the agreement. [REDACTED]

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WEST GERMANY: Bonn reportedly is removing quota restrictions on some 430 items that are imported from Eastern Europe. The move to increase import competition comes shortly before parliamentary elections scheduled for November, and is designed to demonstrate the government's determination to fight inflation. It probably also is an effort to improve economic relations with the East. Chancellor Brandt's Ostpolitik has not yet produced the economic benefits promised by the ratification last spring of the Moscow and Warsaw treaties. Bonn's move will have a more immediate psychological impact than a practical effect on inflation.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 4 October 1972 approved the following national intelligence estimate:

NIE 75/76-72

"The Horn of Africa"



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